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# *How We Make a Difference*

## *SBA's Statutory Mission*

*Maintain and strengthen the Nation's economy by aiding, counseling, assisting, and protecting the interests of small businesses and by helping families and businesses recover from natural disasters.*

### *Mission*

The mission of the Small Business Administration (SBA) is to maintain and strengthen the Nation's economy by aiding, counseling, assisting, and protecting the interests of small businesses and by helping families and businesses recover from natural disasters.

Every public sector organization's mission is defined in statute. SBA's authorizing legislation, PL 85-536, as amended, is called the Small Business Act, and describes SBA's mission as follows:

*"It is the declared policy of the Congress that the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise, to ensure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government....be placed with small business enterprises, to ensure that a fair proportion of the total sales of Government property be made to such enterprises, and to maintain and strengthen the overall economy of the Nation."*

### *SBA Success*

As the engine for continued economic growth, small business success remains a primary policy concern of the Administration and the SBA. Small firms represent a significant portion of the Nation's productive capacity, produce constant innovations, and create jobs. Ultimately, SBA success and our *impact* are related to this economic growth. Moreover, we can isolate factors that may contribute to economic growth and stem from a vibrant small business sector: increased numbers and growth of small businesses, which in turn produce net new jobs, revenues and taxes paid, and international competitiveness.

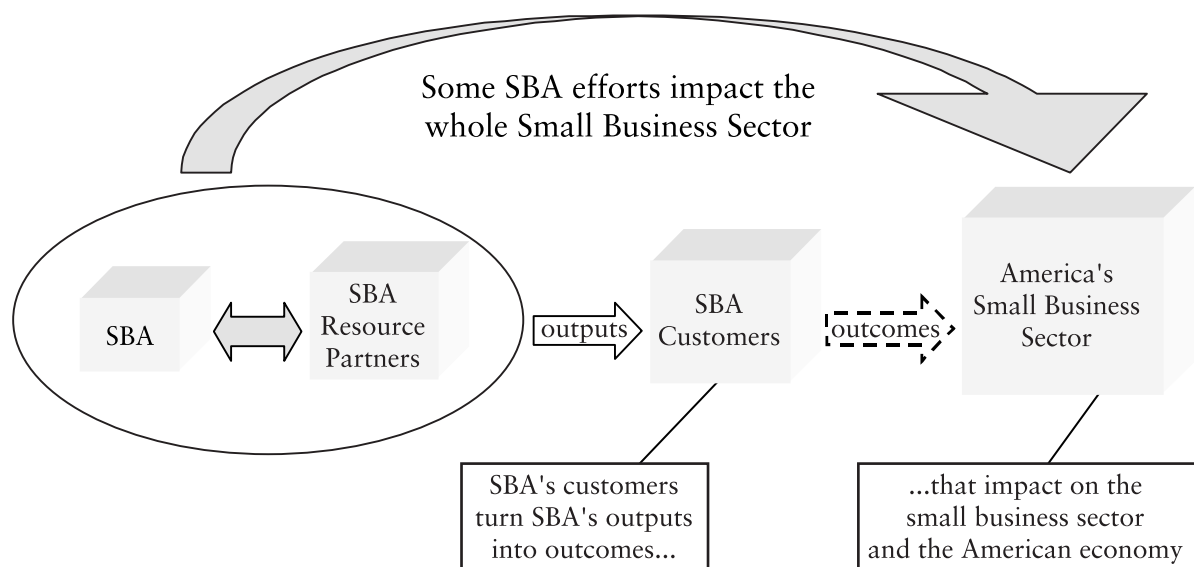
SBA helps small businesses to succeed to the extent that small business owners are aided, counseled and assisted through the efforts of SBA and its resource partners. In conjunction with our partners we provide service directly to small business customers—we call these *outputs* and include traditional performance measures such as loans guaranteed, contracts let, counseling provided, information offered, and so on. The business customer, in turn, uses these goods and services to start, expand or maintain the business. The *intermediate outcome* of our efforts is a successful or viable business helped directly by SBA efforts, as

measured by jobs, revenues, taxes paid, and viability.

Success is also achieved to the extent that SBA programs and services help to strengthen the overall small business sector (and the American economy as a whole) without specifically creating a one-to-one relationship with any business owner. For instance, by helping minorities start and expand their businesses, we are ensuring a more diverse small business sector. Or, by acting as an advocate to ensure that a fair proportion of Federal Government procurement and contracting go to small businesses, we are leveling the playing field for

those small firms that need help the most. Finally, by serving as a voice for small business in the regulatory and legislative areas, we improve the small business climate as a whole by reducing the cost and burden of regulations. The result: a climate that supports and nourishes the entrepreneurial spirit.

The diagram below depicts the logic flow between our goods and services and our customers, as well as the related impact on the small business sector and the economy as a whole. In addition, we see a linkage between SBA activities and the small business sector as a whole.



The outcome of SBA programs on **SBA customers** is measured by:

- ▶ Start-ups and their survivability
- ▶ Jobs created, revenues generated, and taxes paid
- ▶ Business survivability, particularly increased viability among “new markets”
- ▶ Customer satisfaction
- ▶ Export sales

- ▶ Jobs saved/maintained through disaster business loan assistance

The outcome of SBA programs on the **Small Business Sector** is described by:

- ▶ Increased number of small businesses
- ▶ Growth of small businesses measured in terms of jobs, revenue, or taxes paid
- ▶ Increased diversity of small business ownership

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- ▶ Increased small business activity among “new markets”
  - ▶ Increased share of Federal procurement going to “new markets” small firms
  - ▶ Reduction of small businesses’ cost for complying with Federal regulations
  - ▶ More viable community economic (disaster assistance)
  - ▶ Rebuilt communities and homes (disaster assistance)

The outcomes of our programs on the small business sector and the American economy at large cannot be attributed directly to our efforts. These outcomes are the result of many factors. We can, however, describe the changes in the overall small business sector over time and in the years ahead we will seek to measure and describe to the extent practicable our contribution to these changes.

As required by the Results Act, we will declare our value to the citizen by measuring the following outcomes:

### ***Startups Helped by SBA***

SBA is helping hundreds of thousands of entrepreneurs who cannot get help elsewhere to start new businesses. In 1999, we provided almost 17,000 loans/financings to startups; about 2 percent of the estimated 887,000 new firms in 1999. Through our network of resource partners, we provided counseling and training to almost 1.2 million customers in FY 1999, many of whom were startups.

### ***Jobs Created by SBA Customers***

SBA estimates job creation from surveys and by directly asking clients about the impact on jobs retained or created as a result of program

participation. SBA’s three principal financial assistance programs (i.e., 7(a), 504, and SBIC) contributed to the creation of more than *450,000 new jobs* in small businesses in FY 1999. The SBA capital and credit programs helped to create 2.3 million jobs or about 15 percent of the estimated 15 million jobs created by all small businesses between 1993 and 1998.

### ***Jobs Saved Through Disaster Loan Assistance***

We made loans to 36,000 victims that saved 35,000 jobs and helped rebuild communities throughout the Nation. As the disaster bank for both individuals and business owners, our disaster assistance is a critical source of economic stability in disaster-ravaged communities. In FY 1999, we provided \$1 billion in loans: 29,000 loans to rebuild homes and another 7,400 loans to businesses.

### ***Diversity of Small Business Ownership***

The New Markets strategy seeks to increase small business ownership by women, minorities, and veterans, as well as stimulate small business start-ups and growth in inner cities, rural areas, HUBZones, Empowerment Zones, and low and moderate income (LMI) areas.

The number of women-owned small businesses has increased significantly, from 4.1 million in 1987 to 8.5 million in 1997. SBA projects that 9.6 million small businesses will be owned by women in FY 2000 and 10 million in FY 2001. Women now own about one-third of all firms and employ 24 million people. These companies generated \$3.1 trillion in revenue in

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## *SBA and its Resource Partners*

- ▶ SBA offers assistance in 109 locations throughout the United States, Guam, and Puerto Rico.
- ▶ 7,000 banks provide SBA loans.
- ▶ 384 Small Business Investment Companies (SBIC), which are privately organized and privately managed, are licensed by the Small Business Administration. With their own capital and with funds borrowed at favorable rates through the Federal Government, SBICs provide venture capital to small independent businesses.
- ▶ 1,000 Small Business Development Centers (SBDC) provide counseling & training.
- ▶ 389 chapters of 13,000 SCORE volunteers (Service Corps of Retired Executives) provide counseling to small businesses.
- ▶ 78 Women's Business Centers provide counseling.
- ▶ 20 One-Stop Capital Shops (OSCS), located in distressed areas, offer multi-functional, intergovernmental assistance to entrepreneurs who need help the most.
- ▶ 62 Business Information Centers (BIC) provide access to business information.
- ▶ 19 U.S. Export Assistance Centers (USEAC) provide counseling and financing assistance to small businesses interested in selling products and services.
- ▶ 70 national and 200 local partnership agreements with private sector and non-profit entities.

1997, more than triple the amount from a decade earlier.

The number of minority-owned small businesses has grown significantly since 1988 and at an increasing rate since 1994. By 1997, there were an estimated 3.3 million minority-owned businesses generating \$495 billion in revenues, and employing nearly 4 million workers. SBA projects there will be 3.5 million small businesses owned by minorities in FY 2000 and 3.7 million in FY 2001.

### *Percentage of Procurement Going to Small Businesses*

The Federal Government spends nearly \$200 billion for goods and services each year. This is a tremendous marketplace for America's small businesses. SBA works with the major Federal agencies to identify procurement opportunities and to create innovative strategies and programs to reach the small business community. In FY 1999, 23.1 percent of total Federal procurement went to small businesses and 2.5 percent to women-owned businesses.

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## ***Small Business Regulatory Savings***

We estimate that our efforts with the regulatory community saved small businesses \$5.3 billion in FY 1999, compared to \$1.5 billion in FY 1998. As part of our advocacy function, we continuously work with the regulatory agencies to show how they can reach their policy objectives without placing an undue burden on small businesses.

## ***Increased Number of Small Businesses***

The number of small businesses is measured in two ways: counting the total number of Schedule C tax returns filed (defined as all firms filing tax returns) and counting the number of firms with employees who file tax returns. The number of business tax returns filed in the United States has increased 20 percent since 1992. For the period 1982–1999,

the annual average growth rate for the number of firms filing tax returns is 4.6 percent and for the number of firms with employees is 2.1 percent.

## ***SBA Resources***

SBA delivers its products and services largely through its business resource partners, who in turn leverage their resources to deliver cost effective assistance to the small entrepreneur.

As is the case for both private and public sector agencies, SBA's ability to achieve its goals and objectives contained in the Strategic Plan is dependent upon the level of resources appropriated by Congress. The Table below reflects the budgetary and personnel resources provided to the Agency by major appropriation category in FY 1999, its current operating budget in FY 2000, and its request for FY 2001.

<i>Appropriation</i>	<i>FY 99 Actual</i>	<i>FY 2000 Plan</i>	<i>FY 2001 Request</i>
Salaries and Expenses	\$464,642	\$484,722	\$593,575
Office of Inspector General	\$11,379	\$11,865	\$14,315
Business Loans Program Account	\$161,174	\$147,401	\$200,638
Disaster Assistance Program	\$287,161	\$350,764	\$276,100
Surety Bond Guarantee Fund	\$3,300	0	0
<i>Total Financing</i>	<i>\$927,656</i>	<i>\$994,752</i>	<i>\$1,084,628</i>
<i>Full Time Equivalent (FTE)</i>			
Administrative Support	3,109	3,051	3,020
Disaster	1,458	1,458	1,458
Inspector General	109	117	142
<i>Total</i>	<i>4,676</i>	<i>4,626</i>	<i>4,620</i>

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## *Who We Serve — Our Customers*

The American small business community has never been more diverse or more vigorous, propelled by a decade of economic growth, opportunity, and fast-paced change in almost every aspect of American life. We are enjoying one of the most robust economic growth periods of the modern era, with historically low levels of unemployment and inflation and significant creation of new jobs.

More people want to own or start a small business than ever before, and the number of part-time entrepreneurs has increased dramatically. About three-quarters of new business owners

are employed in a wage-and-salary job at start-up. Sixty percent of new firms begin as home-based businesses. According to IRS statistics, the number of business tax returns filed in the United States has increased 73 percent since 1982, to 25.5 million in 1999. This is the most comprehensive count of businesses but includes many part-time firms with no employees. According to Census statistics, there were about 6.5 million employer firms in 1999. All but 16,000 of those firms had fewer than 500 employees and could be considered to be small firms.

### *The Face of Small Business*

- ▶ 25 million Americans filed business tax forms in 1999.
- ▶ 6.5 million businesses had employees in 1999.
- ▶ 900,000 small businesses start each year; 750,000 businesses go out of business each year.
- ▶ 10.5 million Americans were self-employed in 1996, up more than 3 million from 1976.
- ▶ 52 percent of all small businesses are home-based and provide 10 percent of the total receipts in the economy.
- ▶ 53 percent of the private work force are employed by small businesses, and provide 47 percent of all sales.
- ▶ 23.1 percent of Federal prime contract dollars goes to small businesses; 51 percent of private sector output is from small businesses, and 28 percent of jobs in high-technology sectors is in small business.
- ▶ 55 percent of innovations are produced by small businesses, twice as many per employee as large firms.
- ▶ The number of minority-owned firms increased 168 percent to about 3.25 million between 1987 and 1997.
- ▶ The number of women-owned businesses increased 89 percent to an estimated 8.5 million between 1987 and 1997.
- ▶ 97 percent of exporters are small businesses.

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## *How We Work — Our Core Values*

SBA is redefining itself in this era of the new economy. In the new economy, businesses must put their customers first, achieve results through partnerships and strategic alliances, invest in their people, and exploit the technology more effectively. As with the private sector, we in the SBA are committed to the following values in dealing with a more diverse, more global, and more technological world.

- ▶ We are driven by customer demands and needs. We reach out to small firms in a variety of ways to respond to their needs. We offer tailored assistance such as access to capital and credit, contract help, access to information, enforcement redress, counseling and training, and access to procurement markets.
- ▶ We depend on partnerships for our success. We deliver products and services by using the most extensive grassroots network of business resource partners in the country. More than 7,000 lenders, 300 certified development companies, 150 micro lenders and 1,500 business resource centers located in communities across America are positioned to provide small businesses with the help they need. The more we can leverage these partnerships, interagency working relationships, and

technology tools, the more successful we will be in achieving our mission.

- ▶ We are performance-based and measure success through results that small businesses seek, expect, and care most about. We hold ourselves accountable to the Congress and to the public. We create programs that reflect the needs and desires of all small businesses, particularly those that need help the most.
- ▶ We invest in our employees. Our workforce is our most important asset. It is they who must adapt to the challenges of the new economy and provide guidance to the small business entrepreneur. We must ensure that our staff is well trained, motivated, and positioned to help small businesses.
- ▶ We are moving aggressively into the digital age. We are committed to offering all of our products and services via the Internet and creating an “electronic SBA” as part of the Administration’s vision to give all citizens anytime, anyplace access to Government. We will continue to assist the small entrepreneur in taking advantage of the Internet to compete not only with businesses in their neighborhood or in their state, but also worldwide.



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# *How We Build Our Strategic Direction*

We spent considerable effort both internally and externally through intra-agency collaboration and customer, stakeholder and congressional consultation. Our goal was to identify and reach out to our small businesses, especially those that need help the most, to listen to what they wanted and need. Beginning with the dictates of the Small Business Act and within the contextual framework of a new economy, we are creating our strategic direction by taking the actions below.

## *Internal Agency Collaboration*

SBA held a series of management conferences during the past 3 years to solicit input from our more than 100 field managers. The approach was “top-down leadership, bottom-up decision making.” In concert with the many ideas of the front line managers, we formed our strategic goals and articulated our program strategies. We also followed up these broader conferences with monthly daylong planning sessions with our senior SBA management, chaired by the Deputy Administrator, where we reviewed progress on goals and often formulated mid-course correction to our program activities. Finally, we used an internal working group with representation from each of the major program offices to coordinate and refine the major strategies and program plans producing what became

our Strategic and our Annual Performance Plans.

## *Reaching Out to Stakeholders and Business Resource Partners*

Each year we meet with all our stakeholders in either formal or informal sessions to discuss our program direction, implementation challenges, and measures of success. Many of these stakeholders represent small business owners (e.g., the National Association of Women Business Owners), and they tell us their specific concerns and requests. Based on this input, we adjust our programs accordingly. Other stakeholders represent our resource partners through whom we deliver our products and services to small businesses (e.g., the National Association of Government Guaranteed Lenders, the National Association of Small Business Investment Companies, the National Association of Development Companies, and the Association of Small Business Development Centers), and from them we learn of their concerns and requests.

Two of our most active stakeholders are the National Advisory Council (NAC), which is an organization of more than 100 business leaders, and the delegates to the 1995 White House Conference on Small Business. We meet with the NAC quarterly and have monthly conference calls where we discuss strategic issues that are relevant to small businesses. We also hear regularly from the delegates of the White House Conference on Small Business, who keep us apprised of small business needs and assist us in formulating our programs.

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## *Customer Participation and Internet Consultations*

SBA has a long tradition of involving customers and clients in its strategic planning process, ranging from the Town Hall meetings of the early 1990s, to the focus group sessions, breakfast meetings, lender roundtables, and E-Commerce summits of recent years. In addition, the Administrator invites particular customer segments to join the Agency and its Federal partners in celebrating successes and to listen to their concerns. For example, each year we host the Minority Enterprise Development week, the Small Business Week, and the National Procurement Awards Conference to recognize the accomplishments of small businesses. Moreover, our 70 district and 10 regional offices placed “outreach” as a major priority of the new SBA. Our web site is reaching those previously unable to attend any of our meetings, and for each of these past 6 months, we have received more than 500,000 hits on the portion of our web page that includes our plans and reports. We continuously receive feedback from small business entrepreneurs through e-mail and SBA’s Answer Desk concerning any ideas they may have about what we should be doing and how to improve our programs and our job performance. One of the most telling ideas we received was a plea to increase our ability to offer transactions on the web and to increase our training for small businesses.

## *Congressional Consultation*

During the past 3 years, we met informally with our Congressional authorizing committee staff to discuss the redraft of our Strategic Plan and we met formally with Senator Thompson’s staff of the Government Affairs Committee to discuss our implementation of the Results Act. During FY 2000 we had 47 GAO reviews and audits that dealt with program delivery and ways to improve internal management, one of the two goals of the Results Act. Many useful comments were offered and incorporated into this current version of our Plan, e.g., increasing our efforts to ensure data validity and reliability.

## *Future Efforts*

We will conduct a series of customer satisfaction surveys in FY 2001. These surveys will be conducted by the University of Michigan’s Survey Research Center and will analyze what we’re doing right and provide suggestions on where we need to improve. We will also expand the use of the Internet and our web site to solicit feedback from our customers and stakeholders and hold online forums in an effort to make Government more accessible, anytime, anyplace.

Ultimately, our strategic direction encompasses the belief that a modernized, high performing organization must be customer-driven, that it deliver cost effective results through empowering its employees and use of strategic partnerships. Building the roadmap to become this type of organization requires active participation of small business owners whether they are SBA customers or not.

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# *Strategic Goal 1: Helping Small Businesses Succeed*

*We help all small businesses succeed, especially those entrepreneurs and small businesses that have not “fully participated in the Nation’s phenomenal economic recovery.” We pay special attention to those “new markets” businesses that are owned by women, veterans, minorities, and Native Americans and to those smaller businesses located in low and moderate income (LMI), urban, rural areas and HUBZones.*

## *Outcomes*

This strategic goal has two types of outcomes. One type consists of the impact of SBA goods and services on SBA *customers*—those businesses that have received loans, counseling, and products or services from SBA and/or its resource partners. Another type of outcome encompasses the impact on *all* small businesses as a consequence of our efforts to maintain and strengthen the Nation’s economy by protecting the interests of small businesses.

The outcome of SBA programs on *customers* is measured by:

- ▶ Number of start-ups, including increased diversity of start-ups
- ▶ Small business growth (e.g. jobs, revenues and taxes) and survival
- ▶ Increased share of Federal procurement going to small businesses, to women-owned businesses and small disadvantaged-owned businesses
- ▶ Export sales by companies assisted
- ▶ Customer satisfaction

## *Objectives*

SBA helps small businesses succeed through (1) being a voice for small business, (2) providing access to capital and credit, (3) providing access to Federal procurement markets, and (4) providing business entrepreneurial development assistance.

### *(1) Being a Voice for Small Business*

The 25 million small businesses in the United States have widely varying needs. Every small business has in common the difficulty in accessing the legislative committees and regulatory agencies that burden him or her with regulations and unnecessary paperwork. This is where the SBA steps in, especially through our Offices of Advocacy and the National Ombudsman. We are a voice for small businesses, supporting their interests in the Administration and in the Congress and working toward changing the culture of the Federal regulatory agencies.

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## Strategies

- ▶ **Represent small business interests.** SBA's Administrator represents small business interests as a member of the President's Cabinet and the National Economic Council. We participate in the Environmental Protection Agency's (EPA) and Occupational Health and Safety Administration's (OHSA) small business advocacy panels and use *amicus curae* authority.
- ▶ **Analyze Agency regulatory initiatives.** As part of our advocacy function, we continuously work with the regulatory agencies to show them how they can reach their policy objectives without placing an undue burden on small businesses. We identify, monitor, and report on agency regulatory impacts on small business to ensure compliance with the Regulatory Flexibility Act (RFA) and the Small Business Regulatory Enforcement Fairness Act (SBREFA). We also monitor, evaluate and rate agency regulatory initiatives to ensure compliance with the law, as well as agency efforts to implement our suggested reforms. We report regulatory, enforcement, and compliance problems faced by small firms. We promote expanded use by regulatory agencies of economic impact analyses.
- ▶ **Determine economic trends and conditions.** We track economic trends affecting small business and the contribution small firms make to the economy and bring this data to the attention of policymakers. We report regulatory, enforcement and compliance problems faced by small firms. We review market imperfections and barriers that hinder small business growth.
- ▶ **Analyze legislative changes.** We analyze legislative proposals, identify problems with existing laws, and bring a small busi-

ness perspective to lawmakers and Agency staff.

- ▶ **Provide statistical information.** We report on the needs and status of America's small businesses (e.g., information on job generation, and access to credit).
- ▶ **Conduct public hearings.** We conduct public hearings through the efforts of the National Ombudsman on Federal regulatory enforcement issues.

### (2) *Providing Access to Capital and Credit*

Many established small firms face difficulty in getting loans on reasonable terms because they are start-ups, operate in non-standard markets, lack credit history, collateral, need long-term capital, or they are owned by women, minorities or veterans not historically well served by traditional lending institutions. Partly this is due to the private sector's estimate of higher risk and uncertainty regarding small business financing proposals. Consequently, we step in as a "gap" lender in the capital and credit markets. Through our guaranteed loan programs, we help finance small businesses, while at the same time help the private sector gain experience in small business lending. In this way, we provide a foundation for assessing risk and uncertainty better, as they service the SBA guaranteed loans. This has led to increased lending to small businesses by the private sector, which we consider a positive outcome of our loan programs.

Our programs provide loans that range from microloans to business loans of up to a \$1 million. Examples of our loan products are:

- ▶ **Microloans,** which are for up to \$25,000 with an average of around \$11,000;

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- ▶ **General business loans** with a guarantee of up to \$750,000;
  - ▶ **Asset based loans** of up to \$1 million;
  - ▶ **Venture capital financing** for potentially high growth firms;
  - ▶ **Surety Bonds** for those who cannot get them without a SBA guarantee; and
  - ▶ **Trade financing** up to \$1.25 million.

### *Strategies*

- ▶ **Meet the financing needs of small business.** We will increase the supply of capital and credit to meet the needs of qualified small businesses, especially new markets firms, that cannot obtain capital and credit from the traditional marketplace. We plan to develop a better understanding of the overall demand for SBA guaranteed loans.
- ▶ **Improve oversight and risk management.** We will continue to improve SBA's loan monitoring, lender oversight and risk management; centralize the purchase of potentially problematic guaranteed loans; and help the private sector more effectively assess the risk of lending to small businesses.
- ▶ **Reengineering.** We are reengineering the 7(a) loan program and streamlining the 504 program by making regulatory changes to permit premier certified lenders to foreclose, litigate, and liquidate loans made under the 504 program. We will continue to improve effectiveness through privatization, outsourcing and asset sales.
- ▶ **Outreach to new lenders.** We are finding ways to enlist new lenders to our 7(a) program, including community-based lenders such as credit unions.
- ▶ **Streamline lending programs.** We are continuing to find ways to make our lending programs easier to use and expect to

expand expedited loan processing to increase access to areas like export financing.

- ▶ **Leverage.** We will increase leverage of SBA programs with the supply of private capital such as in the SBIC program.
- ▶ **Increase marketing and outreach to new markets.** We will continue to use our existing network and create new approaches to find and reach entrepreneurs in new markets. We will expand One-Stop-Capital Shops into more Empowerment Zones. We will license New Markets Venture Capital companies (NMVC) to provide equity capital and technical assistance to small businesses in rural, urban, and Low and Moderate Income (LMI) areas.
- ▶ **E-government.** We must continue to build tools for pre-qualification of borrowers, online loan applications, credit risk assessments, paperless disaster home loan applications, and broker equity lending "match-making."

### *(3) Providing Access to the Federal Procurement Market*

Federal agencies procure about \$200 billion a year in goods and services. Acquisition reform dramatically changed the procurement system and the way the Government buys its goods and services. In today's changing procurement environment, there are larger bundled contracts that often are not suitable for small businesses to perform as Federal prime contractors. Agencies are also using streamlined procurement practices such as multiple award contracts, Government-Wide Acquisition Contracts (GWACs), Federal supply schedules, and credit card purchases. In many instances, small businesses may be losing contracting opportunities. Our challenge is to ensure that

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demands for greater efficiencies in the Federal procurement process do not have an adverse impact on the small business community. There should be an appropriate balance between a streamlined and efficient procurement system and the goals and objectives of SBA's small business procurement programs. We must continue to provide outreach and training to small businesses to help them remain competitive in this changing procurement environment.

Achieving these legislated procurement goals is an intermediate outcome measure from SBA's point of view because the Agency does not control the procurement practices of other agencies. Although we are not required to establish a goal for awards to 8(a) firms under the authority of Section 8(a) of the Small Business Act, we continue to negotiate a goal with each procurement agency. Our role is to help Federal agencies realize these goals through oversight and training by finding ways to realize efficiencies without excessive contract bundling, and by ensuring a large pool of qualified small businesses from which agencies can procure goods and services. An important outcome of the procurement assistance program is the success rate of small disadvantaged firms that obtain technical and contract assistance under SBA's 8(a) business development program. We also measure our success in getting Federal agencies to establish subcontracting goals for their Federal prime contractors.

### *Strategies*

- ▶ **Oversight.** We will continue to review and monitor Federal agency procurements
- ▶ **Training.** We will train small businesses in E-Commerce, procurement rules and how to sell to the Federal, state and local governments. We will also train Agency personnel in how to find and use small business contractors.
- ▶ **Reinvention.** We will reinvent the prime and subcontract oversight programs to mitigate the effects of contract bundling on small businesses and streamline the certification of 8(a), HUBZone and SDB firms. We will also make PRO-Net the marketplace to find qualified small businesses.
- ▶ **E-government.** We will continue to improve PRO-Net by integrating the system with other electronic commerce applications to provide easier access to small business prime and subcontractors, improve data quality, and expand its capabilities. We will develop an Internet-based 8(a) and Small and Disadvantaged Business eligibility and certification process for contract preferences, expand HUBZone and New Market outreach services, and create a virtual One-Stop Capital Shop. We also plan to develop an on-line procurement clinic.
- ▶ **Specialized procurement programs.** We will continue to implement the HUBZone Empowerment Contracting program and the LMI program.
- ▶ **Increase the pool of qualified small businesses.** We will increase the number of small businesses that can bid on Government procurement contracts through 8(a) and Small and Disadvantaged Business (SDB) certification, outreach, business development training, mentoring, and special Government contracting training.
- ▶ **Strategic partnerships.** We will encourage small businesses to enter into strategic partnerships to increase their competitiveness in Federal procurement.
- ▶ **Procurement Center Representatives (PCRs).** We will strengthen the PCR's role to work more aggressively with the agencies early in the procurement planning

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process to maximize small business participation at the prime and subcontract level.

- ▶ **Phase III SBIR commercialization.** We will provide equity financing and improved marketing of these projects to venture capitalists.

#### *(4) Providing Entrepreneurial Development Assistance*

Small businesses need information, counseling and training in starting, running, growing, and getting out of business. The challenge in the years to come is to build an effective delivery system using the Internet to provide assistance to small businesses when and where they need it.

SBA has several delivery channels for its entrepreneurial services (such as SBDC, SCORE, Women's Business Centers, One-Stop Capital Shops). In the next 5 years, SBA needs to further integrate these delivery channels in a manner which ensures full service delivery of services to small business clients. SBA also needs to improve the integration of SBA's procurement and financing programs with its entrepreneurial development programs. In the future, potential borrowers of SBA backed loans will be provided the opportunity of counseling and training and those who have been counseled or trained will be directed to small business friendly banks.

#### *Strategies*

- ▶ **Full service concept.** SBA expects to complement its current partner-driven mode with a more "full service" customer-based approach. This might mean creating smaller, multiple-location outlets which offer the best mix of small business resources for each market, integrating the services of its

resource network more fully and using the Internet to reach out and deliver information and products to customers.

- ▶ **E-government.** We will offer more training and education on line, as well as provide quality assured linkages to other distance learning sites. We will be the lead agency for the US Business Advisor web site and develop expert tools to find a law, interpret a regulation, get a contract, develop a business plan, start a business, or perform an export transaction. We will also expand SCORE and SBDC on-line to serve more customers.
- ▶ **Serve more clients.** We will increase the volume of people assisted by Women's Business Centers (WBCs), One-Stop Capital Shops, and Tribal Business Information Centers (TBICs); expand assistance to Native American communities in the form of TBICs and Native American SBDC network; and expand assistance and outreach to Veterans.
- ▶ **Increase small business exports.** We will expand the number of Export Trade Assistance Partnership (ETAP) programs to continually introduce solid domestic companies to the opportunities of the global marketplace.
- ▶ **Training.** We will train SBA personnel in outreach and business development approaches.

#### *Office of Inspector General (OIG) Management Challenges Associated with this Strategic Goal*

The Management Challenges identified by the OIG for the Congress in December 1999 are addressed under the strategic goal in this

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Strategic Plan with which they are most closely associated. The OIG's FY 2001–2006 Strategic Plan, which supports SBA's statutory mission, is being provided separately.

*District offices do not consistently apply guarantee purchase requirements.*

#### **Action Plan**

- ▶ **Centralization.** SBA has completed its efforts to centralize the guaranty purchase review process. Currently, all SBA Express loan purchase activity is centralized at the Fresno Servicing Center and all 504–debenture purchase activity are centralized at the Little Rock Servicing Center.
- ▶ **Purchase Reviews.** District offices still perform most of the other guaranty purchase reviews, however, a staff position has been established in the Office of Field Operations to coordinate review of 10 percent of all loan purchase requests. The 10 percent sample includes all loans identified by the Office of Inspector General, and by lender/loan reviews, or otherwise, as potentially problematic for purchase. Office of Financial Assistance staff and representatives from district offices meet on a quarterly basis to review these loans.
- ▶ **Monitoring.** Loan purchase processing is tracked to identify offices that require additional action because of noted shortcomings in their processing of guaranty purchase requests. Findings from the reviews are analyzed and compared for similarity.
- ▶ **Track repairs.** SBA tracks repairs by field offices to identify any loans with shortcomings and has developed a matrix that allows ease in analyzing findings.

*SBA needs to improve loan monitoring.*

#### **Action Plan**

- ▶ **Risk Management.** We are developing a risk management system that benchmarks lender performance. This allows comparisons of performance between lenders and against SBA standards and is used to prioritize lender reviews. The systems modernization initiative will provide lender data collection such as, delinquency default rates, liquidations, loan payments and loan origination. SBA has completed a system for 504 and expects to have a system for 7(a) developed by January 2001.
- ▶ **Loan Monitoring.** We are developing a monitoring system that considers factors identified by the OIG, as well as others, and contributes to the overall lender evaluation process. The monitoring system is expected to be fully operational by the end of the first quarter of FY 2001.
- ▶ **Lender reviews.** The PLP Lender Review Branch in Kansas City will review all PLP lenders each year consistent with the statutory mandates. The review cycles run from April 1 to March 31 the following year.
- ▶ **Small Business Lending Company (SBLC) reviews.** We will continue to conduct safety and soundness reviews of the small business lending companies.

*SBA needs an effective oversight process for SBLCs.*

#### **Action Plan**

In cooperation with its Office of Inspector General, SBA has developed and implemented a safety and soundness oversight program for



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its SBLCs. As of July 2000, two rounds of SBLC examinations were completed. SBA will institutionalize this effort through a new Office of Lender Oversight.

*Preventing loan agent fraud requires greater emphasis.*

**Action Plan**

- ▶ Submit a legislative proposal.
- ▶ Register loan agents as part of Systems Modernization Initiative. SBA Form 159, which contains information on loan agents, has been modified to capture registration data and will be sent to OMB for approval as part of the implementation of SBA's System Modernization efforts.
- ▶ Monitor loan agent association with individual loans.

**Milestones:** Legislation that would permit this and authorize OIG to conduct criminal background checks was proposed as part of SBA's FY 2000 legislative package. Legislative review is pending with the Congress. SBA may not proceed without it.

*Borrowers in SBA's business loan program need to have criminal history background checks.*

**Action Plan**

- ▶ Legislative change to require background checks for all loan applicants and loan agents. The proposed legislation was delivered to Congress at the end of December 1999 and is pending consideration.

*More participating companies need to obtain contracting opportunities in the Section 8(a) program.*

**Action Plan**

- ▶ Improve the fair and equitable distribution of contracting opportunities for 8(a) firms.
- ▶ Provide enhanced business development and procurement assistance to 8(a) firms.

**Milestone:** Beginning in FY 2001 and continuing through FY 2006, refocus the role of the district office staff to place their highest priority on helping inform firms about the Federal procurement process, Federal and non-Federal contracting opportunities, and best practices in procurement changes.

*Participants who become wealthy are allowed to remain in the Section 8(a) program and be considered economically disadvantaged.*

**Action Plan**

- ▶ Develop an objective scoring system for access to capital and credit.
- ▶ Define and limit excessive withdrawals.
- ▶ Improve the definition of the concept of "economic disadvantage."

**Milestone:** Draft procedural guidance early in FY 2001 to ensure an objective and comprehensive review of an 8(a) applicant and/or participant's economic status in determining economic disadvantage.

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*SBA does not enforce its rules to limit pass-through procurement activity to non-section 8(a) participants.*

***Action Plan***

- ▶ Accurately define and classify under the appropriate SIC/NAICS code goods and services being procured by the Government from 8(a) firms.
- ▶ Identify and define those industry areas where goods and services are being procured by the Government, but are not addressed in the SIC/NAICS coding structure.

**Milestones:** Draft a definition and identify a NAICS designation for value-added reseller and re-manufacturer, beginning FY 2001 and complete this effort during FY 2002.

***Completed Program Evaluations***

***1. Women Business Centers***

The Women's Business Centers conduct an annual client satisfaction survey where questionnaires are sent to each client 1-year after they receive service. The results show that a large majority of its clients rate the service as excellent or very good.

***Women's Business Center Survey Result***

<b><i>Rating</i></b>	<b><i>FY 1995–96</i></b>	<b><i>FY 1996–97</i></b>	<b><i>FY 1997–98</i></b>
Excellent	31%	33%	40%
Very Good	33%	40%	36%
Average	10%	8%	8%
Fair	7%	4%	4%
Poor	4%	3%	2%
Not Enough Information	16%	13%	11%

***2. Business Information Center Customer Survey***

A pilot survey with 200 firms was conducted with a response rate of 70 percent. The survey data showed that BIC clients were overwhelmingly satisfied with both the quality and the relevancy of the programs and services offered by the BICs.

- ▶ 70 percent rated BIC programs and services as excellent.
- ▶ 56 percent rated staff's analysis of their business solutions as excellent.
- ▶ Nine out of 10 respondents would recommend BIC programs and services to others.

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### 3. *One-Stop Capital Shop Customer Satisfaction Survey*

Visitors who spent a minimum of 1-hour utilizing OSCS resources were asked to fill out a questionnaire about their satisfaction, experience, and expectations and on services and products they were seeking. A total of 131 responses were collected.

Analysis of the data showed that:

- ▶ 78 percent of respondents were “very satisfied,” the highest grade on a 5 point scale.
- ▶ 80 percent would definitely recommend the OSCS to someone else.
- ▶ Three most used OSCS services were SCORE counseling (62 percent), general help from OSCS staff (43 percent), and the usage of reference manuals (31 percent). The library, computers, financial counseling, and videos were used much less.

### 4. *SBIR Evaluation*

The study was designed to determine what progress had been made in commercialization and document a better understanding of the commercialization process for SBIR. The study methodology was similar to that used by the General Accounting Office and documented in their report (RCED-92-37) in 1992. Some of the major conclusions are:

- ▶ SBIR grants have stimulated technological innovation and have been highly successful in fostering participation by minority owned businesses in technological innovation.

- ▶ Only one of 60 Phase I proposals ultimately resulted in Phase III success.
- ▶ A number of firms are concerned that the SBIR program has become too focused on commercialization.

## *External Factors*

### *Access to Capital and Credit*

- ▶ **Economic conditions.** Although the demographics, terms and conditions, and purposes of the 7(a), 504, microloan, surety bond and SBIC programs vary significantly, economic conditions strongly affect the demand for these products. If interest rates are too high, a credit crunch typically occurs. If the economy remains strong as predicted, surety bond guaranties will remain constant or decrease, but if the economy deteriorates, demand will increase.
- ▶ **Cooperation of lender partners.** Key to SBA's success in providing access to capital and credit is a cooperative working relationship with the various stakeholders, most notably the National Association of Government Guaranteed Lenders (NAGGL), the National Association of Development Companies (NADCO), and the National Association of Small Business Investment Companies (NASBIC). SBA has executed agreements with both NADCO and NAGGL to support the Agency's initiatives. In addition, supply of resources for technical assistance and the aggressiveness of the intermediaries will determine whether we reach our microloan and New Markets Venture Capital (NMVC) targets.

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- ▶ **Congressional support** of the programs, particularly those elements that require legislative changes (e.g., New Markets Venture Capital), is a critical success factor.
  - ▶ **Export promotion information.** Uncertainty in overseas markets, the overall strength of our own domestic economy, lack of finance and lack of export promotion information are four impediments to small firms entering the export market. Our success in stimulating more small exporters is dependent on our ability to develop and make available the appropriate export finance and information tools that are effective in dealing with two of the key impediments to export growth.

#### *Access to Procurement Markets*

- ▶ **Cooperation from Federal Agencies.** Acquisition reform and managing for results are key components of the Administration's major reinvention initiatives. SBA must continue to work with Federal agencies to develop alternative procurement strategies that will maximize small business participation in this changing procurement environment, while at the same time ensure efficient and cost effective procurement reform. It is also critical for the Agency to develop positive cooperative working relationships with the major procurement agencies in the Federal Government, particularly Department of Defense, National Aeronautics and Space Administration, Department of Energy, General Services Administration, and

Tennessee Valley Authority, the top five Federal procuring agencies. Securing the cooperation of major prime contractors is also an important critical success factor in SBA's achievement of its overall goal.

- ▶ **Coordination with Federal Acquisition Regulatory Councils.** The Veterans Entrepreneurship and Small Business Development Act of 1999 establishes a new goal of 3 percent of prime and sub-contracts to service-disabled veteran owned small businesses. SBA will coordinate with the Federal Acquisition Regulatory Councils to ensure that coverage is set forth in the Federal Acquisition Regulation (FAR) for these firms.
- ▶ **Public support.** SBA's procurement programs rely on continued public support for preference programs, expanded access and education on use of technology for identifying procurement opportunities, and sufficient resources available to implement an effective business development program.

#### *Relationship between Strategic Plan Outcomes and Performance Plan*

The Strategic and Annual Performance Plans share the same strategic goals, objectives, outcomes and strategies. The latter also includes indicators for outputs that contribute to the outcomes for each strategic goal. The relationship can be shown in terms of a logic model that relates program major outputs to outcomes for each goal.

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*Logic model for outcomes and outputs that contribute to “Helping Small Businesses Succeed.”*

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**Major Outputs**

**Voice for Small Business**

- ▶ Information
- ▶ Conferences
- ▶ Hearings

**Access to Capital**

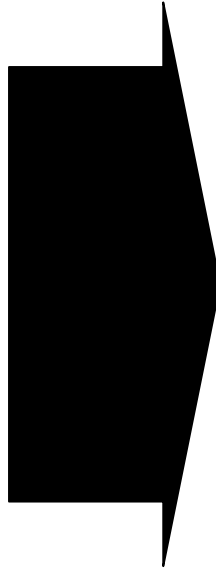
- ▶ # loans
- ▶ # financings
- ▶ # surety bond guarantees

**Access to Procurement Mkt**

- ▶ Certf SDB and 8(a)
- ▶ # 8(a) firms graduated
- ▶ SBIR grants

**Entrepreneurial Assistance**

- ▶ # assisted
- ▶ # counseled
- ▶ # trained



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**Outcomes**

**Customer Outcomes**

- ▶ Number of start-ups
- ▶ Firm growth in jobs and sales
- ▶ Firm survival rate
- ▶ Growth in export sales
- ▶ Customer Satisfaction

**Small Business Sector outcomes**

- ▶ Increased number of small businesses
  - ▶ Increased small business jobs
  - ▶ Increased small business ownership diversity
  - ▶ Small business growth in HUBZones, LMI, rural, and tribal areas
  - ▶ Increased small business export sales
  - ▶ Increased share of Federal Procurement to different small business groups
  - ▶ Reduced regulatory cost to small business
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## *Strategic Goal 2: Helping Americans Recover from Disasters*

*In the wake of physical disasters, SBA's disaster loans are the primary form of Federal assistance for non-farm, private sector disaster losses for individuals and businesses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses. SBA's disaster loans help homeowners, renters, businesses of all sizes, and nonprofit organizations fund rebuilding.*

### **Outcomes**

- ▶ Restored housing
- ▶ Increased survival of businesses damaged by disaster
- ▶ Jobs retained in businesses damaged by disasters
- ▶ Customer satisfaction service as very good or excellent
- ▶ Percent of field presence within 3 days of disaster declaration
- ▶ Percent of loans approved within 7 days from application
- ▶ Initial disbursements within 21 days of disaster declaration
- ▶ Low fraud rate

### **Strategies**

SBA disaster assistance is a critical source of economic stability in disaster-ravaged communities. Eligibility is based on financial criteria and interest rates charged to borrowers fluctuate according to statutory formulas: i.e., a lower rate, not to exceed 4 percent, available to applicants without credit available elsewhere; and a higher rate, not to exceed 8 percent, for those who can acquire credit

available. SBA offers physical disaster loans to individuals and businesses of any size, and economic injury loans to small businesses without credit available elsewhere.

Major challenges include mobilizing enough competent resources to (a) handle the loan application process when disaster strikes, (b) ensure that applications have high quality and the fraud rate is low, and (c) become more effective while reducing costs and maintaining customer satisfaction.

**Develop a flexible infrastructure of resources that can be applied to a disaster area.** We will use several approaches to implement this strategy: Develop a competent staffing pool, partner with state and local resources and ensure cooperation with FEMA.

**E-government.** We have made significant progress in using the Internet to facilitate the disaster home loan application process. Within the next 2 years, we will implement a pipeline process that offers electronic files accessible from all field offices.

**Outsource disaster home loan servicing and carry out asset sales.** We will continue to

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review the cost benefit of outsourcing disaster loans and our asset sales.

## *Completed Program Evaluations*

### *Hurricane Georges Survey*

The purpose of the research was to evaluate customer satisfaction with the services provided to recipients of disaster loans approved after Hurricane Georges. Findings include:

- ▶ Initial contacts with SBA tended to be very positive.
- ▶ The actual loan application was relatively simple to complete.
- ▶ The delay between receiving and submitting the applications was due largely to problems obtaining the required supporting documents.
- ▶ The majority of respondents were impressed with the professional manner of SBA's verification process.
- ▶ The period between loss verification and loan closing was described as the most difficult by many of the respondents.
- ▶ The actual loan closing typically proceeded in a very professional and efficient manner.
- ▶ The respondents were pleasantly surprised by the brief period of time between the closing and the first loan disbursement.
- ▶ Some of the respondents were frustrated with the length of time required for subsequent disbursements.

- ▶ Most respondents believed SBA's insurance requirements for them were reasonable.

### *Customer Satisfaction Survey*

The purpose of the survey was to measure the customer satisfaction level experienced during the disaster loan making process. There were 653 responses (a 33 percent response rate) with the following findings:

- ▶ 61 percent rated the time to receive loan approval as excellent/very good.
- ▶ 54 percent rated the disaster loan application for ease of completing as excellent/very good.
- ▶ 71 percent rated the ease of contacting SBA employees as excellent/very good.

The surveys show that the disaster program has a high customer satisfaction rate but that SBA should continue its efforts to implement the paperless loan application process in order to make it easier for disaster victims to apply for loans.

### *External Factors*

The single most important external factor is the unpredictability of disasters. Helping businesses and families recover from disasters requires SBA to work closely with the Federal Emergency Management Agency (FEMA), as well as other Federal, state and local agencies. SBA must coordinate closely with FEMA to establish disaster assistance centers when natural disasters strike, provide expedited responses, cut paperwork, combine loss verification processes, and create on-going partnerships with voluntary agencies, businesses, and industries in the disaster area.

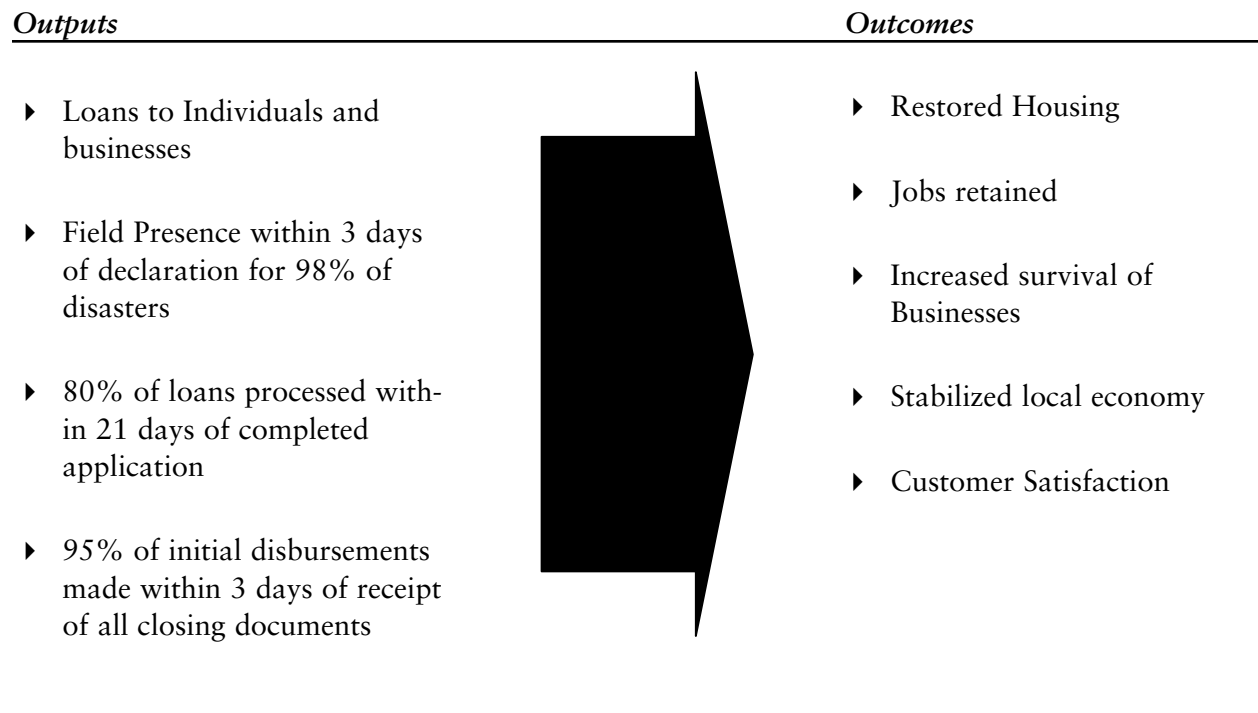
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### ***Relationship between Strategic Plan Outcomes and Performance Plan***

The Strategic and Annual Performance Plans share the same strategic goals, outcomes and

strategies. The latter also includes indicators for major outputs, which contribute to the outcomes for each strategic goal. The relationship can be shown in terms of a logic model that relates program major outputs to outcomes for each strategic goal.

### ***Logic model for outcomes and outputs that contribute to “Helping Americans Recover from Disasters.”***





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## *Strategic Goal 3: Modernizing the SBA*

*SBA is an Agency in transformation. We are making major changes in the way we produce and deliver goods and services and how we manage our resources and ourselves. The four major strategies are: Human Capital Investment, Information Technology Investment, Financial Management Improvement, and Risk Management Improvement.*

### **1. Human Capital Investments**

Small business practices, products, and needs have changed greatly over the past 10 years, and the SBA has always fine-tuned its products to keep pace with its customers. We recognized, however, that if we were to continue to be a viable organization and an asset to the market we were created to serve, we would need to make marked changes to the way we conduct business, our management culture, employee skills and deployment. In addition to becoming more technology driven, we have been re-examining our role and emphasizing its efforts in the areas of business development, oversight, and building relationships on the local, community, and neighborhood levels to meet the needs of the small business community better.

We are committed to a thoughtful workforce transformation process for our affected employees. Through interest-based discussions with our union partners, we will invest in our human capital by providing affected employees with transition services, training and retraining to the maximum extent practical.

**Objective:** We are investing in our personnel to create a motivated, creative, competent and productive work force.

### *Strategies*

- ▶ Improving workforce skills. As SBA conducts more asset sales and moves toward a more technology driven organization, it will require retraining of the loan administration workforce, training the overall workforce in emerging business methods (E-business and web-based systems) and utilizing “technology” training techniques. A total of approximately 1,700 personnel will need retraining.
- ▶ Changing workforce deployment. Some workforce relocation will be required to execute “right sizing” strategies in the field and centralization initiatives being planned.
- ▶ Providing succession planning and leadership training.
- ▶ Conducting annual personnel surveys.
- ▶ Improving human resources management and information systems.

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<i>Performance Measures (Results)</i>	<i>FY 2006 Performance targets</i>
Personnel trained or retrained	1700
Personnel who will have taken courses in leadership	300
Implementation of new HR management	Completed by 2003
Proportion of employees who believe that SBA is a good place to work (very good and excellent categories)	95 percent

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## ***2. Information Technology (IT) Investments***

We must be prepared and equipped to assist small businesses as they face the challenges of global markets, a communications-driven environment, and a technology-driven and information-based economy. To meet these challenges, we must be both innovative and aggressive. Strategic investment in information technology, institutionalized IT management processes, and technology leadership promise to contribute to a modernized SBA.

Investments in IT are increasing productivity and effectiveness in the public as well as in the private sector. We are replacing old legacy mainframe computers with server-based systems, implementing electronic commerce and electronic Government applications to provide more cost-effective service to our customers, and improving our communications infrastructure. In addition, we are implementing state-of-the art processes for managing the IT function.

**Objective** We are investing in IT to produce cross-functional products and delivery systems; customer oriented programs and resource partners; an agency without barriers — products, services, time, and place; and a highly trained and motivated staff.

### *Strategies*

- ▶ Improve information security planning and execution.
- ▶ Implement E-Commerce and E-government applications.
- ▶ Modernize our systems including (1) loan monitoring system, (2) Financial Management and Disaster Assistance, and (3) Government Contracting/Minority Entrepreneurial Development/Business Development programs.
- ▶ Continue infrastructure improvements (broadband, workstations, server architecture).
- ▶ Identify outsourcing opportunities.
- ▶ Formalize involvement of senior leadership in IT Capital Planning process including executive level review board (BTIC) participation.
- ▶ Complete and maintain a survey of IT skills inventory and IT skills requirement.

<i>Performance Measures (Results)</i>	<i>Milestones</i>
LMS — Implement loan origination, servicing, and collections system.	FY 2001
LMS — Implement risk management and lender oversight.	FY 2002
LMS — Complete other program system functions including data warehouse for reporting and fraud detection.	FY 2002
Complete migration of legacy program and accounting to the LMS.	FY 2003
Implement new administrative accounting system.	FY 2001
Implement new core accounting system.	FY 2002
Complete integrated Human Resources System.	FY 2003
Complete Financial Management System.	FY 2003
Complete new loan accounting system.	FY 2002
Disaster — Complete business case and system planning.	FY 2001
Disaster — Identify and purchase off-the-shelf software products.	FY 2001
Disaster — Build 1st system increment.	FY 2002
Disaster — Build 2nd system increment.	FY 2003
Complete first annual IT human capital skills survey.	FY 2001
Formalize new IT Management Policies and Procedures.	FY 2001

### ***3. Financial Management***

SBA continues to lead the Federal Government in the area of financial management. We were the first Federal credit agency to receive an unqualified opinion on our financial statements in FY 1996, and have maintained that record for 4 straight years. We are the only Federal agency to implement on an organization-wide basis the Committee of Sponsoring Organizations of the Treadway Commission (COSO) system of internal controls—a level of internal controls that exceeds the required Federal Government standards. We lead the Federal Government in the development of loan subsidy rates under Federal Credit Reform. We are implementing a comprehensive cost allocation program to identify the cost of our programs and activities supporting the Government Performance and Results Act.

We are undertaking the complete reengineering and modernization of our financial processes and systems leading to a fully integrated financial management system.

#### ***Strategies***

- ▶ Reengineer and implement an integrated Financial Management System.
- ▶ Reengineer and implement a new, modernized loan accounting system.
- ▶ Implement an Activity Based Costing system.
- ▶ Expand cost system to include activity-based budgeting structure.

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- ▶ Implement COSO and eliminate any material internal control findings.
  - ▶ Improve the timeliness and accuracy of financial statements.
  - ▶ Continue to enhance the analysis of loan performance and subsidy rates.
  - ▶ Continue to train personnel to develop a highly competent workforce.

<i>Performance Measure (Results)</i>	<i>Milestones</i>
Produce annual cost accounting report	12/31/00
Implement new core accounting system	FY 2002
Complete integrated financial management system	FY 2003
Complete new loan accounting system	FY 2002
Introduce activity-based planning and budgeting system	FY 2001
Fully implement COSO with no material weaknesses	FY 2003
Complete accurate financial statements on time	By 3/1 each FY
Develop accurate, timely and reliable subsidy rates	By 2/1 each FY
Train financial management workforce	On-going

#### ***4. Risk Management***

Along with our desire to sustain unprecedented economic growth and to penetrate new markets is our solid commitment to maintain the financial safety and soundness of our \$50 billion loan portfolio. As with financial institutions in the private sector, we have the fiduciary responsibility to make our lending decisions wisely and guard our current investments carefully. Risk management issues have become more critical as our business model has changed to partnering with banks, outsourcing our core processes, and selling our assets. In 1999, SBA relied on the credit decisions of its lending partners to originate approximately 75 percent of all business loans. In accordance with congressional direction, SBA has also contracted for servicing 30 of its disaster home loans. In addition, in the past year, SBA has

implemented a highly successful asset sale program. SBA will continue to strategically sell its loan portfolio assets in future years.

As more of the loan-making, servicing and liquidation processes are outsourced and centralized, SBA's exposure on the loan guarantees becomes increasingly subject to the credit policies and actions of the participating lenders. To protect the taxpayer's interests, and to ensure the long-term viability of our lending programs, we have begun to build a system to identify, understand, and respond appropriately to the behavior of SBA's lending partners in a timely way. In FY 2000, SBA established a new Office of Lender Oversight to assure that steps taken to improve oversight were institutionalized and resources would continue to be devoted to these efforts.

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## *Strategies*

- ▶ Improve loan monitoring (through improved information systems, analysis and assessment of borrower and lender risk), lender oversight (through a Preferred Lender Program review system, safety and soundness reviews, and Office of Lender Oversight activities to manage portfolio risk), and graduated remedial actions based on a series of early warning indicators.
- ▶ Administer a safety and soundness examination program for SBLCs and annual reviews for PLP lenders.
- ▶ Operate a risk management committee to assess risks in the Agency's loan portfolio, determining what risk levels should be in different product lines, borrower and lender categories, and how to manage these risks.
- ▶ Provide training and product information to lender partners and field staff.
- ▶ Improve access and reliability of SBA loan program data through systems modernization.

<i>Performance Measures (Results)</i>	<i>Milestones</i>
Complete 3rd round of PLP reviews	March 30, 2001
Complete 3rd round of SBLC reviews	September 30, 2001
Conduct 2nd round of lender oversight training for field staff	June 30, 2001

## *Office of Inspector General (OIG) Management Challenges Associated with this Strategic Goal*

The Management Challenges were identified by the OIG for the Congress in December 1999.

*Develop and implement a program-based cost accounting system.*

## *Action Plan*

- ▶ Implement a state-of-the-art cost allocation model using an activity based costing system with semiannual surveys of employee time usage.
- ▶ Provide a seamless interface between Joint Accounting and Administrative Management System (JAAMS) with cost accounting data in the future.

<i>Performance Measures (Results)</i>	<i>Milestones</i>
Produce annual cost accounting report	12/31/00
Implement new core accounting system	FY 2002
Complete integrated financial management system	FY 2003

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*Information system controls need improvement.*

***Action Plan***

- ▶ Monitor the status of the security enhancement program through the Information Systems Control Committee (ISCC).
- ▶ Document the security program.
- ▶ Implement Access controls.

- ▶ Create an application development and change control system.

- ▶ Build a service continuity plan.

- ▶ Segregation of Duties. Certification reviews will identify segregation of duty issues. The additional staff will work with the program offices to develop procedures to eliminate, or mitigate the identified issues. Segregation of duty reviews is part of the ongoing certification and accreditation evaluations.

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***Performance Measures (Results)***

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***Milestones***

Document the security program

Completion Date: 50 percent by Sept 30, 2001; full completion by September 30, 2003.

Implement Access controls

Completion September 30, 2002.

Application Development and Change Control

Completion September 30, 2002.

Service Continuity Plan

Operations plan completed by June, 2000.  
All systems completed by September 2002.

Segregation of Duties

All systems completed by September 30, 2002.

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# Data Quality

*Managing for results and producing an annual performance plan and performance report require valid, reliable and high quality performance measures and data.*

*Some data used by the Agency are created by SBA itself. Other information, equally critical to SBA's mission, is produced by Federal and local governments.*

## Strategies

- ▶ **Fostering organizational commitment and capacity for data quality.** We will achieve data quality through a number of different processes. First, as part of a formal process, our managers will attest to the quality of their information. Second, we are training managers to make sure they understand the need for quality data. Third, we are managing for results, which requires us to develop better information systems for decision-making. Fourth, we are using performance information to evaluate our senior managers.
- ▶ **Assessing the quality of existing data.** The data quality of our financial data systems is to a great extent ensured by audits and reviews. However, we must take time to assess the quality of loan and program data provided by our resource partners. For example, an OIG report documented that SBDC centers do not always use the same definitions for clients served, making it more difficult to get a valid picture of what has been done. We plan to include data verification in our lender and resource partner oversight.

- ▶ **Responding to data limitations.** It is not enough to identify data quality problems. Where there are data limitations, we must improve quality. Managers will be asked to document how they intend to reduce these limitations.
- ▶ **Building quality into the development of performance data.** The design process for building new IT systems includes building in and maintaining quality at all stages of data handling — input, storage, and use. The new systems and the changes made to existing systems will make sure that only correct data are entered into the systems and that these data are stored in one data base with stringent verification and change rules.

In FY 1999, we tracked our performance goals monthly and verified the accuracy of the data on an *ad hoc* basis. As part of this internal performance monitoring, we tested the relevance of the indicators and identified problems of data completeness, timeliness, and accuracy.

In FY 2000, we began implementing a more formal quality process, which included program manager self-assessment of performance indicator quality, manager training in data

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quality control and improvement methods, development of data quality improvement plans, and feedback to program managers of data limitations determined through using the data. We completed the program manager self-assessment step in December 1999. Program managers were asked to define the measure; identify the data source; discuss the validity of the measure; list data limitations, particularly of resource partners, to include reporting cycles, incomplete source of data, double-counting, erroneous data, inconsistency in standards and definition of data, uncollectable data that cannot be collected (due to privacy or policy), and system capacity; and document steps being taken to improve data collection, verification and reporting, and to reduce data limitations.

In early FY 2001, we will continue to train our managers. Essentially managers will be informed of the elements of data quality, how to ensure data quality through internal controls and how to improve data quality. Managers will be asked to provide data on data verification procedures and improvement plans, with milestones, after completion of the course.

Finally, explicit feedback will be provided to managers regarding data limitations and data quality as part of the Office of Policy Planning's use of the data in analyzing Agency activities, outputs and outcomes and as part of the Inspector General's audits of data validity and verification.



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# Future Program Evaluations

*A principal tenet of managing for results is “what gets measured (and rewarded), gets produced.” Performance monitoring and program evaluation is a core feature of SBA’s efforts to modernize itself. We have used lessons learned in our performance monitoring and program evaluations to influence the strategic direction contained in this plan.*

For the next several years, we plan to systematically review those programs that offer the most financial risk to the Government (i.e., the business loan and disaster assistance loan program command the most resources and carry the higher risk), but also review those programs that can offer tips on how to improve our efforts. Examples include:

- ▶ New Markets Venture Capital Program: Assess the impact of leveraging the venture capital market to improve the economic development of a particular region.
- ▶ Disaster Servicing: Evaluate the cost benefit of private sector servicing of disaster loans.
- ▶ 7(a) Demand Model: Conduct an econometric study of the prevalence and incidence of SBA’s “niche” in the market.
- ▶ Customer Satisfaction: Continue implementation of the American Customer Satisfaction Index (ACSI) by repeating the survey for the 3 ED segments, while adding 4 new segments.
- ▶ Job Creation: Using the Bureau of Labor Statistics or Census databases, aggregate

the total number of jobs created by the recipients of SBA financing assistance.

- ▶ LowDoc and SBAExpress: Assess the impact of these smaller, character-based loans.
- ▶ SBDC impact: Study the validity and reliability of the ASBDC impact study of SBDC counseling and training, replicating the study with improved methodology.
- ▶ Asset Sales: Perform a cost-benefit analysis of selling off the SBA asset base.
- ▶ SBIC: Analyze SBIC venture capital financing success, describing customers, products and services, and growth rate of firms receiving capital.
- ▶ HUBZone: Conduct a HUBZone benchmark study to assess the changes in employment and investment in distressed urban and rural communities.
- ▶ ED program delivery systems: Conduct a cross agency assessment of the various distribution systems for management and technical assistance.

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- ▶ USEACs: Conduct a cost-effectiveness study of the U.S. Export Assistance Centers.
  - ▶ Procurement Center Representatives: Evaluate the role of the PCRs and do a cost-benefit analysis of their contributions.
  - ▶ Balanced Scorecard: Develop a balanced scorecard for SBA's programs, to include customer and employee satisfaction, financial results, and mission achievement.

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# Cross-Cutting Issues

## *Innovation and Research Assistance*

The Small Business Innovation and Research (SBIR) and Small Business Technology Transfer (STTR) programs promote commercialization of innovation and transfer of technology by the small business sector, arising out of Federal research and development. By statute, SBA is responsible for policy formulation, program monitoring, oversight, and reporting. SBA coordinates the SBIR and STTR programs with participating Federal agencies through: the publication of government-wide pre-solicitation announcements,

agency quarterly program managers' meetings, and ongoing dialogue with program managers from the 11 participating agencies. The agencies participating in the SBIR program include Departments of Energy, Commerce, Defense, Agriculture, Health and Human Services, Education and Transportation, National Aeronautics and Space Agency (NASA), National Science Foundation (NSF), and Environmental Protection Agency (EPA). The agencies participating in the STTR program include the Department of Defense, Energy, Health and Human Services, NASA and NSF.

<i>Agency</i>	<i>Program Description</i>
U.S. Small Business Administration, Office of Technology , Small Business Innovation Technology Research (SBIR) Program	Under the SBIR Program, 11 Federal agencies make competitive awards to small businesses aggregating 2.5 percent of their annual extramural research and development budgets. Phase I awards are made for up to 1 year, to a maximum \$250,000, for investigation of the merit of an innovative concept. Phase II awards are made for up to 2 years, to a maximum of \$750,000, for further development of selected Phase I projects. Phase III is commercialization of Phase II projects in the private sector, or thorough non-SBIR Federal funding.
U.S. Small Business Administration, Office of Technology , Small Business Technology Transfer (STTR) Program	Under the STTR Program, 5 Federal agencies make competitive awards to joint ventures between small businesses and non-profit organizations. Phase I awards are made for up to 6 months, to a maximum \$100,000, for investigation of the merit of an innovative concept. Phase II awards are made for up to 2 years, to a maximum of \$500,000, for further development of selected Phase I projects. Phase III is commercialization of Phase II projects in the private sector.

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*Agency**Program Description*

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U.S. Department of Commerce, National Institute of Standards and Technology, Manufacturing Extension Partnership (MEP)

MEP helps smaller manufacturers adopt and supply performance-improving technologies in response to intensifying domestic and international competition in manufacturing. It does this through a network of locally-based affiliated manufacturing centers involving Federal, state, and local governments; industry; and educational institutions.

U.S. Department of Commerce, National Institute of Standards and Technology, Advanced Technology Program (ATP)

ATP makes awards to new technology based firms and small businesses to support development of high-risk, enabling technologies that can be translated into new business opportunities, new industrial processes to improve productivity of U.S. producers, and new products and services for world markets.

### *International Trade Assistance*

In 1993, the Clinton Administration, in line with the intent of the Export Enhancement Act of 1992, established the Trade Promotion Coordinating Committee (TPCC) to develop a new National Export Strategy and to coordinate the 19 agencies of the Federal Government involved in international trade. The goal was to act strategically to target export promotion and export finance programs to maximize their effectiveness and to avoid costly duplication and overlap.

The TPCC strategy encourages a range of efforts to enhance overall technical assistance efforts, to include focusing on the small and medium-sized firms. Data from the Bureau of the Census shows that small firms account for 28 percent of total sales by manufacturing firms, but only account for 13 percent of total

exports by manufacturing firms. If these firms contributed to our export profile by accounting for 28 percent of exports by manufacturing firms, they could have exported as much as \$60 billion more in 1996. Even a 10 percent increase in exports of all small firms would lower our trade deficit by \$18 billion, or 17 percent.

SBA's Office of International Trade (OIT) is the only office in the Federal Government that exclusively targets small business clients for finance and trade promotion assistance. Its mission is to expand employment and income opportunities for small businesses through exports of U.S. goods and services. OIT delivers both financial and technical assistance programs to U.S. small business exporters through personnel located at 19 U.S. Export Assistance Centers (USEACs) nationwide.

<i>Agency</i>	<i>Program Description</i>
U.S. Export Assistance Centers (USEACs)	The centers combine the trade-promotion and export-finance resources of the SBA, Dept of Commerce, the Export-Import Bank and in some locations, the Agency for International Development, and the Department of Agriculture. Designed to improve delivery of services to small- and medium-sized businesses, USEACs work closely with other Federal, state and local sources of export assistance. SBA has a critical role in these one-stop shops for export assistance, from export finance to counseling and market information and trade leads.
SBA: Export Counseling	SBA provides export counseling to new-to-export and ready-to-export businesses through its network of district offices, Small Business Development Centers and the Service Corps of Retired Executives.
SBA: Export Working Capital Program	SBA provides export working capital guarantees of 90 percent on transactions under \$750,000 providing the small business exporter with much-needed short-term working capital.
DOC: The Trade Information Center and NTDB/STAT-USA	DOC operates a comprehensive information center for U.S. companies seeking information on Federal programs, activities and services that support U.S. exports including information on overseas markets and industry trends.
DOC: International Trade Administration	ITA assists U.S. exporters in locating, gaining access to and developing foreign markets and furnishes information on foreign markets open to U.S. products and services.
DOC: U.S. Export Assistance Centers	DOC is co-located with SBA at the USEACs where, in addition to counseling, they provide detailed, long-term export marketing and consulting services and offer U.S. exporters programs and services to gain entry to or expand export markets.
Export-Import Bank (Eximbank): Export Credit Insurance	Co-located with SBA and DOC at the USEACs, Eximbank provides a variety of insurance services to the exporter, including insurance for financing or operating leases, medium-term insurance, new-to export policies, insurance for the service industry, an umbrella policy and multi- and single-buyer policies.
Eximbank: Working Capital Guarantees	Harmonized with SBA, Eximbank provides working capital guarantees of 90 percent to exporters with transactions greater than \$750,000
Eximbank: Direct and Intermediary Loans	Provides direct loans to foreign buyers of U.S. exports and intermediary loans to fund responsible parties that extend loans to foreign buyers of U.S. exports.

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<i>Agency</i>	<i>Program Description</i>
Department of Agriculture (USDA): The Market Promotion Program	Co-located with SBA, DOC and Eximbank, USDA's program is designed to encourage the development, maintenance and expansion of commercial export markets for U.S. agricultural commodities through cost-share assistance to trade organization for overseas promotions.
USDA: Ag Export Connections Program	Offers four low-cost services to help U.S. exporters make direct contact with foreign buyers: trade leads, the Buyer Alert newsletter, foreign buyer lists and U.S. supplier lists.
U.S. Agency for International Development	Through loans and grants, USAID enables public- and private-sector importers in developing countries to purchase U.S. products and services. SBA works with AID in assisting foreign governments to identify and implement SBA-like programs and services and disseminates information from AID regarding foreign procurement opportunities for U.S. small businesses.

### ***Business Development Assistance***

SBA is charged with providing business development assistance to firms owned by socially and economically disadvantaged persons through Federal contract set-aside programs and through cooperative agreements with service providers for management and technical assistance. SBA accomplishes this through its own products and services as well as through partnerships with other Federal, state and local agencies and the private sector. For example, SBA is partnering with the Department of Commerce's (DOC) Minority Business Development Agency (MBDA) to offer assistance at Business Resource Centers where Bank of America provides the resource center and SBA and DOC provide the counseling and

management assistance. SBA and DOC also co-sponsor the Annual Minority Enterprise Development national conference (MED-WEEK).

The SBA and DOC provide different products and services and focus on different market segments. SBA provides counseling and technical/management assistance to help small firms write business plans, apply for loans, compete for Federal contracts, and run a business. SBA focuses on long-term competency-based skills and institution building. DOC provides services to minority businesses, regardless of size, and seeks to enhance the continued development of these firms by increasing their access to business resources and markets.

<i>Agency</i>	<i>Program Description</i>
SBA: Minority Enterprise Development	<p>A business development program designed to assist socially and economically disadvantaged business persons gain access to the resources needed to develop small businesses and improve their ability to compete in the mainstream of the American Economy. All SBA lending and business development programs are available to 8(a) program participants.</p> <ul style="list-style-type: none"> <li>▶ <i>8(a) Business Development</i> — Utilizes the SBA's Section 8(a) contracting authority to provide business development assistance to minority-and other disadvantaged-owned firms through Federal contract set-aside programs.</li> <li>▶ <i>7(j) Management and Technical Assistance</i> — Authorizes the SBA to provide grants and enter into cooperative agreements with service provider for specialized assistance in accounting, marketing and proposal/bid preparation. Industry-specific technical assistance and entrepreneurial training also are available.</li> <li>▶ Minority Prequalification loan Program.</li> <li>▶ Pro-Net data base.</li> </ul>
Dept. of Commerce: Minority Business Development Program (MBDA)	<p>Program designed to coordinate, promote and market Federal and private sector activities that help minority businesses grow. Agency funds organizations that provide management and technical assistance to minority entrepreneurs.</p>
Dept of Transportation: Disadvantaged Business Enterprises (DBE)	<p>Program designed to remedy discrimination of small businesses owned by women, minorities, and other socially and economically disadvantaged individuals in the construction industry. Program is characterized as neither a set-aside program nor a quota program.</p> <p><b>Related programs:</b></p> <ul style="list-style-type: none"> <li>▶ Short-term Lending Program. Enables minority business enterprises to obtain accounts receivable financing for transportation related projects at prime interest rates.</li> <li>▶ Bonding Assistance Program: Provides an opportunity to obtain bid performance, and payments bonds for transportation related contracts.</li> <li>▶ Liaison Outreach and Services Program to minority chambers &amp; trade associations. The National Information Clearinghouse (NIC) grants internship programs in conjunction with HBCU's and Hispanic serving institutions.</li> </ul>
All Defense & Selected Civilian Agencies (GSA, DOE, DOT, NASA): Small Disadvantaged Business (SDB)	<p>Set-aside programs designed to award certain acquisitions exclusively to small disadvantaged businesses.</p>

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## *Veterans Affairs*

SBA's role is to increase opportunities for small business success for veteran-owned businesses, with an emphasis on service-disabled veterans. This goal is achieved by enhancing entrepreneurial development assistance and expanding small business procurement opportunities. Entrepreneurial development assistance consists of training, counseling, management assistance, education and mentoring in all the SBA program and external resource areas.

In the past, the Office of Veterans' Affairs partnered with the Department of Veterans Affairs, Office of Small and Disadvantaged Business Concerns to conduct business management briefings on the resources within SBA that help small businesses grow and become better able to do business with the Federal Government. A new initiative is the formation of a partnership between the Small Business Administration and the Department of Veterans Affairs and the Department of Labor to assist disabled veterans to become entrepreneurs by providing the necessary business development and financial assistance needed to start a small firm.

<i>Agency</i>	<i>Program Description</i>
DVA: Office of Small & Disadvantaged Businesses	Provides seminars on Federal contracting opportunities to veteran-owned small businesses.
DOL: Office of Veterans Training and Education	Provides an outreach effort to veterans concerning employment and self-employment opportunities. Assists service disabled veterans in developing strategies to become self-employed by conducting feasibility studies.
DOL: Office of Transition Assistance	Provides counseling to separating veterans about civilian job opportunities.

## *Microloans*

SBA has no MOU's between agencies regarding the Microloan program. However, the

Community Development Financial Institutions Fund (CDFI Fund) has a presidential mandate to coordinate Federal microenterprise programming.

<i>Agency</i>	<i>Program Description</i>
SBA: Microloan Program	The Microloan Demonstration Program assists women, low income individuals, minority entrepreneurs, and other small businesses which need small amounts of financial assistance. Under this program, SBA makes direct and guaranteed loans to eligible borrowers. SBA may also make grants under the program to intermediaries and other qualified nonprofit entities to be used for marketing, management and technical assistance to the program's target population.



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*Agency*

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*Program Description*

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Dept HHS: Partnership Program

The Demonstration Partnership Program (DPP) develops and implements new approaches in dealing with the needs of the poor, focusing on the causes of poverty. DPP grants, primarily to Community Action Agencies (CAAs), fund discernable, coordinated and replicable projects that provide for a greater self-sufficiency of the poor.

Dept HHS: Job Opportunities for Low-Income People Program

The “JOLI” Program demonstrates and evaluates methods of creating employment opportunities for low income individuals by providing technical and financial assistance to private employers. JOLI grant awards are made to nonprofit organizations to develop projects that will create new jobs and business opportunities for individuals on public assistance, create self-employment / microenterprise opportunities.

Dept HHS: Office of Refugee Resettlement Microenterprise Program

The Office of Refugee Resettlement (ORR) microenterprise program targets refugees who are on public assistance and those refugees who possess few personal assets or who lack a credit history that meets commercial lending standards. The refugees typically have been in the U.S. for one or more years and have held entry-level jobs. Since ORR’s inception in 1991, approximately 700 refugees have started businesses.

HUD: Self-Employment Demonstration for Public Housing Residents

Moving to Work (MTW) is a demonstration program in which HUD and 24 public housing agencies (PHAs) design and test ways to give incentives to families to become economically self-sufficient, reduce the cost of housing assistance, and increase housing choices for low-income households. The 24 PHAs receive technical assistance and are granted considerable flexibility in determining how to use Federal funds. Of these, seven PHAs will participate in the “Jobs Plus Community Revitalization Initiative” to substantially increase employment among public housing residents.

HUD: Unemployment Insurance Demonstration Projects

The “Economic Development and Supportive Services Program” (ED/SS) provides grants to aid public and Indian housing authority programs that increase resident self-sufficiency and support independent living for their elderly and disabled residents. About 40 percent of public housing residents list welfare as their primary source of income. ED/SS seeks to help these families to move to work and achieve self-sufficiency.

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## Disaster Assistance

Helping businesses and families recover from disasters requires SBA to work closely with FEMA, as well as state and local agencies. *The Federal Response Plan* (FRP) describes the initiation, coordination, and implementation of the wide array of Federal disaster programs that provide assistance directly to individuals and families, business owners attempting to recover from the effects of a major disaster declared by the President.

Systematic coordination among agencies is necessary before and during a disaster to ensure effective, efficient delivery of the array of recovery programs that can aid disaster victims. *The Stafford Act* assigns FEMA a coordination role- the interactive process by which multiple Federal assistance programs are reviewed, initiated, implemented, and deliv-

ered to address the unique needs of a particular disaster area. Interagency coordination is critical to promote efficient, consistent Federal action. It also helps avoid *ad hoc* decision making, funding initiatives at cross purposes, replicating efforts (multiple damage assessments, inspections, environmental reviews), and duplicating benefits.

Disaster assistance programs for individuals, families, and businesses often overlap in their coverage and purpose. Section 312 of the Stafford Act requires that no person, business concern, or other entity receive Federal disaster assistance for any part of a loss that has been covered by any other program, insurance, or any other source. FEMA has established a policy and procedure, which outlines when duplication can occur, and describes procedures for preventing and rectifying duplication.

<i>Agency</i>	<i>Program Description</i>
SBA: Physical Disaster Loans (Individuals)	Direct long term, low interest loans to homeowners and renters to repair or replace uninsured damages to real and personal property caused by disasters. Loan amounts limited to \$200,000 to repair or replace real estate, and to \$40,000 to repair or replace personal property.
SBA: Business Disaster Loans	Direct long term, low interest loans to businesses and nonprofit organizations. Loans provided to repair or replace uninsured property damages caused by disasters. Loan limited to \$1,500,000.
SBA: Economic Injury Disaster Loans (EIDL)	Direct long term, low interest loans to small businesses and agricultural cooperatives. Loans are only available to applicants with no credit available elsewhere and the maximum amount of an EIDL loans is \$1,500,000.
FEMA — Cora C. Brown Fund	Grants to disaster victims for unmet disaster-related needs.
FEMA — Hazard Mitigation Grant Program	Project grants to local communities, via state, to implement hazard mitigation plans and prevent future loss of lives and property.

<i>Agency</i>	<i>Program Description</i>
FEMA — Individual and Family Grant Program.	Grants to individuals administered by the state. Objective is to provide funds for the expenses of disaster victims that cannot be met through insurance or other assistance programs.
HUD — Community Development Block Grant (CDBG) Program	Formula grants to communities. Preferred use of funding is for long-term needs, but funding may also be used for emergency response activities. States establish methods of fund distribution.
USDA/FSA — Emergency loans	Low interest loans to family farmers and ranchers for production losses and physical damage.
USDA/FSA	Twenty other disaster specific programs in the form of technical assistance, loans, loan guarantees, and grants.